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by USIA headquarters prescribes the following policy for USIA enterprises. All USIA firms are to work both now and in the post-Treaty period primarily on the fulfillment of Soviet orders. If an Austrian State Treaty is concluded, USIA's accumulated schilling holdings will be loaded to Austrian banks which will then be called upon to finance USIA enterprises.*

Soviet orders

2. Kromag A. G., a USIA firm administered by A/O Avtovelo, is now working on a large Soviet order for 25 Steyr type B 409 railway section cars (Zugmaschinen und Autodragmaschinen). The section cars are to be built of 10 millimeter sheet iron and equipped with Soviet gauge axles. Three are scheduled for delivery in August, six in September, eight in October, and eight in November 1949.*** Kromag A. G. has ordered 25 Steyr 690 or T170 type motors for these section cars from the Steyr Works in the U. S. Zone of Austria through the Avtovelo Sales and Purchasing Office at a cost of 7,370 schillings per motor. Ball bearings, speedometers, brake cylinders, and other parts are to be procured from Czechoslovakia.*** At the same time Kromag A. G. is working on a Soviet order for the manufacture of 400 iron cots. Twenty-five tons of angle iron and 15 tons of band iron already ordered from Boehler Gebr. & Co. A. G., Waidhofen a/d Ybbs, have been allocated for deliveries scheduled for the third quarter of this year. Meanwhile, Kromag continues to manufacture spiral drills, for which 2.8 tons of Styria SS 25 KD 175 steel, (Ausschnellarbeitsstahl Styria SS 25 KD 175, ~~geglüht~~, ~~geschliffen~~, hergestellt) were ordered 12 August 1949 from Steirische Gussstahlwerke A. G., Vienna I. The Avtovelo Sales and Purchasing Office has already paid 80 percent of the total cost of 82,600 schillings to this firm.
3. Kromag A. G. raw material requirements for the third quarter of 1949, exclusive of the Soviet orders mentioned above, indicate an estimated 25 percent increase in this firm's production output. The following

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types of steel have been ordered from Boehler Gebr. & Co. A. G.,
Waidhofen a/d Ybbs:

Unalloyed band steel, quality less than DIN 16.24, primarily
DIN 1544B-St 7.24 Blank A. K. (sic):

68 x 0.9 mm - 24 tons	58 x 0.8 mm - 4 tons
29 x 1 mm - 20 tons	54 x 0.8 mm - 0.5 tons
80 x 0.5 mm - 15 tons	66 x 1 mm - 2 tons
156 x 0.8 mm - 1.5 tons	100 x 1.5 mm - 10 tons
130 x 0.5 mm - 1.5 tons	90 x 1.5 mm - 6 tons
100 x 1 mm - 7 tons	100 x 1 mm - 8 tons
61 x 1 mm - 2 tons	

Total amount ordered: 101.5 tons

The following types of band iron:

Cold rolled band iron, SM quality, semi-hard and blank, used in the
manufacture of mud guards for bicycles and motorcycles:

59 x 1 mm - 5 tons
80 x 0.5 mm - 4 tons

Hot rolled band iron for welded tubing used in bicycle frames and
steering rods, SM quality, test value 14, carbon content less than
0.15 percent and silicon content less than 0.25 percent:

115 x 2.25 mm - 15 tons
100 x 2 mm - 19 tons
90 x 2 mm - 15 tons
2 x 2 mm - 10 tons
61 x 2.25 mm - 1 tons

Total amount ordered: 60 tons

4. Another USIA firm working solely on Soviet orders is the Liesinger
Accumulatoren Fabrik G.m.b.H., which recently hired 43 additional
workers.

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USIA Purchases

5. The Avtovelo Sales and Purchasing Office through USIA's Central Commercial Bureau is now arranging a compensation agreement with Czechoslovakia to procure raw materials required for current Soviet orders.***Czechoslovak commercial representatives have already been requested to supply 245 solid wheels (Vollscheibenräder) from the Vitkovce Iron Works and 245 truck tires and inner tubes for Austro-Fiat; 240 ball bearings, type 6312, per month or about 1,000 ball bearings by the end of 1949 for Kloeckner-Humboldt-Deutz; 150 miscellaneous ball bearings, for Wiener Werkzeug- und Werkzeugmaschinen Fabrik, Ing. Frank & Co; and 100 NJM 65 type roller bearings, 25 Deutz technometers (with or without speedometers), 25 main brake cylinders, type Teves A-20502, and 25 bent and straight chain links, Wippermann type No. 594, for Kromag A. G.
6. PSHENICHNIKOV, chief of Avtovelo's Sales and Purchasing Office, is allegedly negotiating with a British commercial representative for the purchase of 400 truck tires and inner tubes at a cost of 2,000 schillings each. Avtovelo plans to establish a credit account at the Laenderbank for this purchase.

USIA Dismantling and Sales

7. Austrian Communist employees of USIA are now being held responsible for releasing information on Soviet dismantlings and sales to the press, which has given a great deal of publicity to these Soviet activities during recent weeks. Although Austrian buyers have shown an increasing sales resistance, USIA sales continue unabated. According to one HAWLE, a C.P. Goerz salesman, USIA sold and shipped by air four tons of optical glass to Magyar Optikai Muvek R. T., Budapest, on or about 17 August 1949. On 20 August 1949, USIA's Central Commercial Bureau sold all equipment and scrap from the former Ostmark aircraft factory in Wiener Neudorf for 7,000,000 schillings.*** Austrian employees of USIA headquarters allege this sale was made to Lt. Col. SULEIMANOV, representative of the Central Soviet Purchasing Agency in Berlin, who has been in Vienna for some time.
8. From 1 to 10 August 1949, sales from Hirtenberger Patronenfabrik totalled 526,000 schillings of which USIA paid 411,500 for items purchased for shipment to the USSR or for sale to the Soviet Oil Administration (SMV).*** According to GOTTSCHAK, sales director of this USIA-controlled firm, the Soviets removed most of the best machinery from Hirtenberger Patronenfabrik during the winter of 1945-1946. In June of 1946, on orders from A/O Podyomnik, Heavy Industry Department of USIA's Machine Construction Industry Administration, which then supervised this firm, directed that three carloads of first class machinery, assessed at a book value of 35,000 schillings, be shipped to Felten-und Guilleaume, Budapest. Now, 25X1A USIA has requested Hirtenberger Patronenfabrik for a statement regarding the disposition of this machinery, [redacted] worth five times the amount quoted in 1946. It seems likely that Hirtenberger Patronenfabrik may have to reimburse USIA, since both A/O Podyomnik and A/O Avtovelo allegedly have no record of this shipment to Hungary.

Central Commercial Bureau

99. As USIA continues to sell out its warehouse stocks, rumors regarding the dissolution of the Central Commercial Bureau are more numerous. According to THIENEL, Austrian commercial expert employed by the Bureau, the Central Commercial Bureau is checking its records and inventories of all

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A considerable amount of material listed in the Bureau's records including five locomotives cannot be traced.

4. Many employees of the Bureau are becoming more and more apprehensive about finding new jobs, and some Communist employees are rather resentful of those Communists who have managed to acquire positions in Soviet cover enterprises. Dr. HORKEL of the Bureau allegedly has been assured of a job with OROP or the Communist Party press.***** Recently, HORKEL has written a number of propaganda articles on USIA firms, which have been turned over to advertising agencies for publication in trade journals or daily newspapers. It is rumored that Dr. HUTSCHNEGGER, former associate of HANSALEIN, may be given financial backing to establish his own firm or be sent to Hungary to work for Dr. Arpad HAAS, prominent Communist economist and former USIA employee. Engr. Otto PLOESS, another well-known USIA employee and director of Wiener Leichtmetallwerke G.m.b.H., is setting up an independent firm, which supposedly will serve as a post-treaty cover firm for the Soviets. PLOESS reportedly is on close terms with the director of the Steyr ball bearing plant.

from the word "Autodraisinen," which should, however, be defined as powered railroad trolleys." It is not clear to what the word "Zug" refers.

Avtovelo Sales and [redacted] had offered its sales agents a special commission if 22 motor-driven railroad section cars and 10 trailers were sold before 1 September 1949. [redacted] these cars, built of six millimeter sheet iron, failed to meet Soviet requirements for shipment to the USSR.

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**** [redacted] Comment: [redacted] the Avtovelo Sales and Purchasing Office has been [redacted] of items to be procured from Czechoslovakia.

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**** [redacted] Comment: Sale of equipment from [redacted] H. has been confirmed by a report from another source [redacted] 27865.

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***** [redacted] USIA's sales of equipment from Hirtenberger Patronen- [redacted] reported by another [redacted] 2576 and 26997.

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***** [redacted] Comment: For a recent report on HORKEL, [redacted] 1997

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